CATALYST MEDIA GROUP PLC

(“CMG” or “the Company”)

PRELIMINARY RESULTS

FOR THE YEAR ENDED 31 MARCH 2007

Catalyst Media Group plc, today announces its preliminary results for the year ended 31 March 2007.

Highlights

- Acquisition of minority 20% stake in Catalyst Media Holdings Limited (“CMHL”)
- Stake in SIS now 20.54%
- £10 million Placing and Open Offer at 0.5p per share
- Reduction in operational overheads by approximately 50%
- Loss after tax and minority interest £2.67 million (17 months to 31 March 2006: £6.2 million)

Chairman's Statement

Historical Review

The principal trading activity of Catalyst Media Group plc and its subsidiaries during the period under review was the exploitation of rights and/or licenses to cultural and historical video content and the marketing of those rights to business, educational and consumer audiences. CMG is also developing an on-line gaming platform with a suite of fixed odds and exclusive head to head games. At 31 March 2007, CMG owned a 20.51% stake in Satellite Information Services (Holdings) Limited ("SIS").

There has been significant corporate activity during the period under review and beyond.

In September 2006, CMG acquired the remaining 20% stake in CMHL, a subsidiary company that indirectly holds the Group's stake in SIS, for £5.5 million. In order to finance the purchase of this stake and to refinance its existing facilities with The Eureka Interactive Fund Ltd, Catalyst drew down £17.3 million of a new £18.6 million facility with Investec Bank (UK) Limited ("Investec").

On 29 March 2007, SIS's five principal shareholders sold 7.5% of SIS to Fred Done of BetFred Bookmakers *pro rata* to their current shareholdings. CMG therefore sold 1.67% of SIS's issued share capital for £1.9 million to Fred Done, resulting in a share holding of 20.51% in SIS. The proceeds of the sale were applied to reduce the facility with Investec.

At the time of entering into the facility with Investec in September 2006, SIS historically had a practice of declaring a substantial "super" dividend every four or five years and consequently, in line with this practice, and based upon SIS board discussions, the directors of CMG ("Directors") at that time believed that a significant dividend from SIS would be paid by 31 March 2007. In January 2007, CMG announced that the SIS board had decided that it was no longer its intention to pay a dividend by 31 March 2007 and that SIS's dividend policy would be the payment of regular annual dividends consistent with annual profits instead of "super" dividend payments. In line with this policy, on 2 August 2007, a dividend of £10 million was declared by the board of SIS and paid on 20 August 2007.

Under the terms of the Investec Facility, in the event that the outstanding debt and accrued interest due to Investec was in excess of £10 million at any time after 31 March 2007, then Investec could exercise a warrant to acquire an effective 10% out of the 22.19% holding in SIS then held by CMG at a nominal price, giving CMG a resultant holding of 12.19% in SIS. This term reflected the belief by the Directors at that time that a substantial dividend would be paid by SIS prior to 31 March 2007. Investec subsequently extended this date to 10 April 2007.

By 10 April 2007, CMG had raised £10 million (after expenses) via a Placing and Open Offer at 0.5p per share, which allowed CMG to repay a significant proportion of the facility with Investec so as to safeguard its existing interest in SIS which, following a share buy back by SIS in May 2007 is now 20.54%.

In addition to the proceeds of the Placing and Open Offer, on 10 April 2007, CMG borrowed £3.5 million from North Atlantic Smaller Companies Investment Trust ("NASCIT") and Oryx International Growth Fund Limited to further reduce the loan from Investec to below £5 million. On 24 August 2007, CMG borrowed £3.91million from National Westminster Bank plc to repay in full the remaining debt that the Company had in place with Investec including a £0.93 million early redemption fee. As a consequence, under the terms of the facility with Investec, Investec is no longer entitled to exercise any warrant in respect of the Company's wholly owned subsidiary, CMHL.

In June 2006, CMG made an investment in the development of an on-line gaming platform together with a suite of fixed odds and head to head games. CMG is partnering with YooMedia plc with regard to these games and the Spoof and Tringo head to head games are now entering their testing and pre-marketing phase. We expect to bring these games to market in the near future with an appropriate partner.

Following the end of the period under review, on 27 April 2007, CMG completed the sale of NPG Inc, the Company's US-based on-line portal for sourcing stock footage from multiple libraries. The one remaining asset held by the Company in the USA is the entitlement to royalties on income from Global Media Services Inc until 31 December 2009.

During the period under review substantial reductions have been achieved in annual overheads which are now running at less than half the level incurred for the financial period ended 31 March 2006. Gearing has been reduced by the equity placing and has now reduced further as a result of the receipt of the dividend from SIS paid in August 2007.

SIS

The SIS board has adopted a formal dividend policy to pay out not less than 50% of distributable earnings each year subject to cash flow considerations. In line with this policy, we were pleased to announce on 2 August 2007 that, SIS approved a £10 million dividend in respect of the retained earnings brought forward balance as at 31 March 2007, which was paid on 20 August 2007 and resulted in a £2.05 million contribution to the group. These monies were used to reduce a proportion of the then outstanding debt with Investec. For the financial year ended 31 March 2007, SIS generated revenue of £135.4 million (2006: £127.6 million) and £16.8 million profit after tax (2006: £14.6 million). Long term contractual agreements are now in place with the majority of SIS's customers. From 1 April 2007, SIS has four year contracts with in excess of 8,000 bookmakers representing over 75% of its total UK and Ireland bookmaker clients. The remainder of SIS's UK and Irish bookmakers clients are on either existing fixed term or rolling contracts, which give it high visibility on future earnings.

These long term contracts underpin revenues from the licensed betting outlets full audio captions and television service ("LBO FACTS") service for the next four years. There is new competition from an alliance between Alphameric plc and 31 of the 59 UK racecourses (known as AMRAC). SIS has long term deals with the remaining 46% of the racecourses and is currently negotiating with the remaining 2% for the relaying of pictures from those courses. The content provided exclusively by the 31 racecourses via AMRAC only represents approximately 12% of SIS's entire picture content offering which it distributes to its bookmakers.

The SIS business is much wider than the LBO FACTS service, which now accounts for 33% of the profitability of the SIS Group. The SISLink business which is Europe's largest independent satellite uplink provider, is the single largest contributor to SIS Group profitability, with about 35% of profits attributable to this business sector. Much of this business is covered by long-term contracts. In addition, SIS has thriving production, data and international businesses, which contribute almost one third of SIS Group profits.

SIS management see no reason to revise their expectations for the financial year to 31 March 2008 despite this additional competition from AMRAC and as such anticipate a further year of growth.

Financial

CMHL is now a wholly owned subsidiary of CMG. As Alternateport is a shareholder of SIS it is entitled to appoint a director and alternate director to the SIS board. These positions are now both held by directors of CMG, who play an active role in the strategic decision making of SIS. From 29 September 2006, following the purchase of the 20% minority stake in CMHL, the Directors consider that they were continuing to exert significant influence over the policies of SIS and now that in excess of 20% is owned by CMHL, the Directors have accordingly, treated their investment as an associate from that date. As a result CMG is reporting a 20.51% share of SIS retained profit for the period from 29 September 2006 to 31 March 2007 representing income of £1.73 million in the Company's profit and loss statement.

For the year ended 31 March 2007, the Group made a loss after tax and minority interest of £2.67 million (2006 restated: loss £6.2 million). The Directors have continued to reduce costs in the Group and these are now running at a level nearly 50% lower level than this time last year. In April 2007, the Company completed the sale of its US subsidiary NPG Inc. The Directors have also reviewed the carrying value of its investments in the on line gaming products and have concluded in order to reflect the uncertain revenue stream that may be generated in future years it would be prudent to write down the book costs. This results in a one off impairment charge of £1.84 million.

Following the Placing and Open Offer referred to above and the refinancing arrangements the total debt outstanding at the end of August 2007 for the CMG group was less than £7.6 million (31 March 2007: £18 million) and the net assets have increased to approximately £25.6 million (31 March 2007: £12.5 million). As a result of the placing and open offer the number of issued ordinary shares of 1 pence per share has increased from 714,319,736 to 2,814,319,736 ordinary shares of 0.1 pence per share and 714,319,736 deferred shares of 0.9 pence per share.

Board Changes

Paul Duffen resigned as Chief Executive Officer in December 2006 to concentrate on new ventures. As a result I was appointed executive chairman at that time. Following the successful Placing and Open Offer I am delighted to welcome Mark Hawtin, Melvin Lawson and Christopher Mills as non executive directors to the board of Catalyst. They bring with them additional experience that will enable Catalyst to move forward confidently. On 31 May 2007, Sir David Frost O.B.E stepped down from the Board after more than 5 years as a non executive director. The Board would like to record their thanks for Sir David's insurmountable support and commitment over recent years, and wish him well in all his current and future endeavours.

AGM

The notice of AGM includes two items of special business. The first is a proposed consolidation of the Company's ordinary shares on a 100 for 1 basis to create ordinary shares of 10p each thus reducing the number of ordinary shares in issue from 2.81 billion to a more manageable 28.1 million.

Fractions arising on the consolidation will be aggregated and sold in the market for the benefit of the Company. New share certificates will not be issued and share certificates in respect of existing ordinary shares will continue to be valid.

The Company proposes to change its name from Catalyst Media Group plc to CMG plc. This is to reflect that the business has strategically developed in a different direction to its origins of being a digital content provider.

CONCLUSION

The board is focused on reducing the debt costs of ownership of the stake in SIS. The debt is already substantially lower following the Placing and Open Offer but with the anticipated receipt of dividends and potentially some further restructuring of the remaining debt we hope to bring this down even further. With a forward formal dividend policy now in place at SIS and a much reduced overhead within CMG we can now positively examine the best way to enhance shareholder value for the future.

Michael Rosenberg OBE

Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	Year ended 31 March 2007 £	17 month period ended 31 March 2006 (restated) £
TURNOVER		
Continuing operations	283,818	391,003
Discontinued operations	-	2,488,937
	283,818	2,879,940
Cost of sales	(16,674)	(2,237,219)
GROSS PROFIT	267,144	642,721
Operating expenses		
- goodwill impairment-continuing	(1,840,614)	(2,457,021)
- share based payments	83,920	(304,468)
- other operating expenses	(1,991,035)	(4,238,600)
- development expenditure	(1,060,097)	-
Total operating expenses	(4,807,826)	(7,000,089)
Dividend income	-	2,205,403
OPERATING LOSS		
Continuing operations	(4,540,682)	(2,635,509)
Discontinued operations	-	(1,516,456)
	(4,540,682)	(4,151,965)
Share of operating profit in associate	2,395,000	-
Loss on disposal of subsidiary - discontinued	-	(1,946,513)
Profit on disposal of share in associate	151,705	-
Interest receivable	7,666	99,704
Interest receivable associate	95,000	-
Interest payable	(1,227,128)	(710,334)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(3,118,439)	(6,709,108)
Taxation	252,757	699,249
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	(2,865,682)	(6,009,859)
Dividends (associate)	(1,000)	-
Minority interest	198,371	(219,750)
LOSS FOR THE YEAR	(2,668,311)	(6,229,609)
Basic and diluted loss per ordinary share	(0.39p)	(1.27p)
Basic and diluted loss per ordinary share: continuing operations	(0.39p)	(1.00p)
Basic and diluted loss per ordinary share: discontinued operations	-	(0.27p)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2007

	Year ended 31 March 2007	17 month period ended 31 March 2006 (restated)
	£	£
Loss for the period	(2,668,311)	(6,229,609)
Currency translation difference	(30,998)	(69,746)
Total recognised losses relating to the year	(2,699,309)	(6,299,355)
Prior year adjustment as explained in note 1	(472,446)	-
Total losses recognised since last annual report	(3,171,755)	

CONSOLIDATED BALANCE SHEET
31 March 2007

	31 March 2007 £	31 March 2006 (restated) £
FIXED ASSETS		
Intangible assets	7,158,452	3,067,352
Tangible assets	54,893	89,367
Investments	-	22,193,670
Investment in Associate	21,729,985	-
	28,943,330	25,350,389
CURRENT ASSETS		
Debtors	1,401,669	472,438
Cash at bank	1,948,586	634,250
	3,350,255	1,106,688
CREDITORS: amounts falling due within one year	(2,008,429)	(4,022,475)
NET CURRENT ASSETS/(LIABILITIES)	1,341,826	(2,915,787)
TOTAL ASSETS LESS CURRENT LIABILITIES	30,285,156	22,434,602
CREDITORS: amounts falling due in more than one year	(18,009,390)	(9,049,491)
TOTAL NET ASSETS	12,275,766	13,385,111
CAPITAL AND RESERVES		
Called up share capital	7,143,197	6,272,361
Shares to be issued	388,526	472,446
Share premium account	30,896,287	27,928,193
Merger reserve	2,402,674	2,402,674
Profit and loss account	(28,554,918)	(25,938,983)
EQUITY SHAREHOLDERS' FUNDS	12,275,766	11,136,691
Minority interest	-	2,248,420
	12,275,766	13,385,111

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2007

	Note	Year ended 31 March 2007 £	17 month period ended 31 March 2006 £
Net cash outflow from operating activities	24	(2,262,282)	(2,236,529)
Returns on investments and servicing of finance	25	(1,219,462)	(610,630)
Taxation		1,010,757	334,249
Capital expenditure and financial investment	25	(951,982)	(20,482)
Acquisition	25	(3,742,926)	(23,115,000)
Net cash outflow before financing		(7,165,895)	(25,648,392)
Financing	25	8,480,231	25,855,482
Increase in cash in the year	22	1,314,336	207,090

Notes to the accounts

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. Certain of the particular accounting policies adopted are described below. All the accounting policies have been applied consistently throughout the period and the preceding period, except as stated below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Going concern

The Directors have prepared the financial statements on basis that the Group is a going concern as the forecasts the Directors have prepared indicate that the Group will have sufficient cash resources to satisfy liabilities as they fall due for a period of at least 12 months from the date of approval of the accounts.

Basis of consolidation

The group financial statements consolidate the financial statements of Catalyst Media Group Plc and all of its subsidiaries at the period end.

The interest in Satellite Information Services (Holdings) Limited ("SIS) was held as a fixed asset investment until 29 September 2006. From this date, the shareholding in SIS is treated as an associate and accounted for under the equity accounting rules, where the profit attributable to CMG plc is included in the profit and loss statement and the share of the net assets and the associated goodwill are shown on the consolidated balance sheet.

Prior year adjustment and Share-based payments

The year ended 31 March 2006 figures have been restated to comply with the provisions of FRS20 to recognise the expense, measured at fair value, in respect of the share-based payments made by the company. The Directors have calculated the fair value of all employee share options which has resulted in the prior year loss increasing by £472,446.

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 10 years to 20 years. Provision is made for any impairment in value.

Goodwill arising on acquisition of an associate, representing the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and deemed to have a economic life greater than 20 years and as such is not written off. Provision is made for any impairment in value, and that is reviewed on an annual basis.

2. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £	2006 £
Operating loss is stated after charging:		
Depreciation	22,967	185,301
Amortisation of goodwill	18,779	677,334
Impairment of goodwill charge	1,840,614	2,457,021
Rentals under operating leases		
- other assets	50,000	390,268

3. EARNINGS PER ORDINARY SHARE

The calculation of the basic loss per share is based on the weighted average number of issued ordinary shares being 686,217,802 (2006: 488,640,167) and on the loss attributable to ordinary shareholders of £2,668,311 (2006: loss £6,229,609).

The diluted loss per share calculation is identical to that used for basic earnings per share as the exercise of share options would have the effect of reducing the loss per ordinary share and therefore is not dilutive under the terms of Financial Reporting Standard 22 “Earnings per share”.

4. INTANGIBLE FIXED ASSETS

Group	**Development expenditure**	**Licences**	**Goodwill**	**Intellectual property rights**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
At 1 April 2006	94,951	-	8,267,498	4,213,834	12,576,283
Additions	-	950,000	4,860,389	152,748	5,963,137
Foreign exchange adjustment	-	-	(23,182)	-	(23,182)
At 31 March 2007	94,951	950,000	13,104,705	4,366,582	18,516,238
Amortisation					
At 1 April 2006	(94,951)	-	(5,200,146)	(4,213,834)	(9,508,931)
Charge for the period	-	-	(18,779)	-	(18,779)
Impairment	-	(872,398)	(968,216)	-	(1,840,614)
Foreign exchange adjustment	-	-	10,538	-	10,538
At 31 March 2007	(94,951)	(872,398)	(6,176,603)	(4,213,834)	(11,357,786)
Net book value					
At 31 March 2007	-	77,602	6,928,102	152,748	7,158,452
At 31 March 2006	-	-	3,067,352	-	3,067,352

Licences acquired during the year do not start to run until the products to which they relate to are used. At 31 March 2007, none of the licences had been amortised.

5. FIXED ASSET INVESTMENTS

Group	**Investment**
	£
Cost	
At 31 March 2006	22,193,670
Transfer to Associate	(20,165,000)
Disposal	(2,028,670)
At 31 March 2007	-
Net book value	
31 March 2007	-
31 March 2006	22,193,670

On 29 September 2006, CMG acquired the remaining 20% shareholding in its subsidiary CMHL. As a result of this, CMHL became a wholly owned subsidiary and there is no longer a minority interest. Following the acquisition the effective stake held in SIS by CMG at 31 March 2007 was 20.51% which has led to CMG accounting for the shareholding in SIS as an associate rather than an investment.

Analysis of acquisitions

On 29 September 2006, Catalyst Media Group plc purchased the remaining 20% stake in Catalyst Media Holdings Limited for a cash consideration of £5.5 million.

The book value and fair value of the net assets acquired were:

	£	£
Fixed asset investments		28,615,000
Creditors		(18,707,171)
Net assets		9,907,829
Goodwill previously recognised on acquisition of 80% interest		2,950,000
Goodwill on acquisition of remaining 20% interest		3,892,171
- Consideration paid on acquisition of 80% interest	11,250,000	
- Consideration paid for remaining 20% interest	5,500,000	
Total consideration (excluding professional costs)		16,750,000

On 22 August 2006, the Company purchased the entire share capital of Spoof.com Limited through the issue of 25,252,776 ordinary shares at a price of 4.5p per share. Including costs, the total consideration totalled £1,161,375. Up to a further 30,303,331 new ordinary shares at 4.5 p per share are to be issued over three years, dependant on Spoof.com Limited achieving specified target revenues over that period. The Directors have not provided for this deferred consideration in the accounts as they believe due to the prevailing gaming market conditions it is unlikely that these targets will be achieved within the three years. Although they intend to use best endeavours in line with the agreement with the vendors of that company to maximise revenues from the site. The book value and fair value of the net assets acquired were:

	£
Fixed assets	152,748
Current assets	40,410
Net assets	193,158
Goodwill	968,217
Consideration	1,161,375

The acquisition of Spoof.com Limited did not make a contribution to the Group's net operating cash flows or operating results.

6. INVESTMENT IN ASSOCIATE

Company	**Share of net assets**	**Goodwill**	**Total**
	£	**£**	**£**
Cost			
At 31 March 2006	-	-	-
Transfer to associate	6,624,116	16,879,713	23,503,829
Disposal	(499,925)	(1,273,919)	(1,773,844)
At 31 March 2007	6,124,191	15,605,794	21,729,985

Net book value

31 March 2007	6,124,191	15,605,794	21,729,985
31 March 2006	-	-	-

On 29 September 2006, CMG acquired the remaining 20% shareholding in CMHL for £5.5 million (excluding professional costs) which owns 100% of Alternateport which in turn owned a 22.19% stake in SIS. The effective shareholding in SIS increased therefore from 17.73% up to 22.19% as at that date and at 31 March 2007 was 20.51%.

CMHL is now a wholly owned subsidiary of CMG and entirely controlled by the directors of CMG. As Alternateport is a shareholder of SIS it has always been entitled to appoint a director and alternate director to the SIS board. These positions are both held by directors of CMG, who play an active role in the strategic decision making of SIS. From 29th September 2006, the Directors consider that they have continued to be able to exert significant influence over the policies and as a result of the increase in ownership to over 20% have, accordingly, treated their investment as an associate from that date.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	**2006**
	£	**£**
Trade debtors	114,949	112,547
Other debtors	774,467	201,478
Amounts due by group undertakings	-	-
Prepayments and accrued income	512,253	158,413
	1,401,669	472,438

Included within other debtors is £86,230 (2006: £136,157) falling due in greater than one year.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	**2006**
	£	**£**
Bank loans	-	121,028
Other loans (including convertible loan note)	160,000	1,640,612
Obligations under finance leases	-	285,134
Trade creditors	386,818	296,980
Taxation and social security	131,086	61,799
Other creditors	615,519	516,390
Accruals and deferred income	715,006	1,100,532
	2,008,429	4,022,475

<u>Other loans</u>

The £160,000 convertible loan note, unless previously repaid or converted, was due to be redeemed at par on 23 February 2006. Interest is payable at 6% per annum. The note may be converted at any time in multiples of £10,000 into ordinary 1p shares and the rate of conversion will be 20p nominal amount of ordinary shares for every £1 nominal of the notes converted. Conversion is at the option of the Noteholder. The Noteholder was repaid, including accrued interest, by the Company in full in May 2007.

9. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2007	2006
	£	£
Loan	17,305,000	-
Deep discounted bonds	-	9,049,491
Amounts owed to group undertakings	-	-
Other creditors	704,390	-
	18,009,390	9,049,491

To facilitate the acquisition of Alternateport Limited in September 2005, Catalyst Media Holdings Limited ("CMHL"), a subsidiary of the Company, issued two deep discount bonds to Eureka Interactive Fund Ltd ("Eureka"). The balance of £9,049,491 was repaid in full on 29 September 2006.

To facilitate the repayment of the two deep discounted bonds to Eureka and to acquire the remaining 20% in its subsidiary CMHL from Eureka, CMHL, took a loan of £18,605,000 million with Investec Bank (UK) Limited of which £17,305,000 has been drawn down ("the Investec Facility"). Interest during the period accrued at 2.5% above the bank base rate up to 31 December 2006 and 3.5% above the bank base rate up to 31 March 2007. The loan is repayable in full by 31 December 2010.

Attached to the loan is a warrant instrument pursuant to which Investec has been granted a warrant to subscribe for 'B' shares in CMHL in certain circumstances at a price of 1p per share.

The number of 'B' shares to be subscribed depends upon the maximum total amount outstanding under the Investec Facility (including accrued interest) at any time after 10 April 2007 and prior to the commencement of the subscription period as defined in the Investec Facility. The number to be subscribed is the number of 'B' shares which, when added to the number of shares in CMHL then in issue, results in the economic interest of those 'B' shares in the shares held by Alternateport in SIS being the percentage ranging from nil to 3%, depending on the value outstanding. If the loan has not been repaid in full by 31 December 2010 then the economic interest of those 'B' shares will be 10%.

By 10 April 2007, the Company had raised £10 million (after expenses) via the Placing and Open Offer at 0.5p per share. On 10 April 2007, CMG borrowed a further £3.5 million from NASCIT and Oryx International Growth Fund Limited and on 24 August 2007, CMG borrowed a further £3.91m from National Westminster Bank plc ("NatWest") to repay in full the existing debt that the Company had in place with Investec. As a consequence of these transactions the existing debt to Investec was repaid in full, and under the terms of the facility with Investec, Investec is no longer entitled to exercise its warrant in respect of the Company's wholly owned subsidiary, CMHL

10. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Increase in cash in the year	1,314,336	207,090
Repayment of loan notes	1,085,612	-
Repayment of bank loan	107,271	699,301
Repayment of finance leases	102,226	44,161
Non cash movements of finance leases	153,803	-
Repayment of other loans	9,444,491	-
Increase in loans	(17,305,000)	(9,444,491)
Translation difference	42,862	(86,182)
Movement in net debt in the period	(5,054,399)	(8,580,121)
Net debt at start of period	(10,462,015)	(1,881,894)
Net debt at the end of period	(15,516,414)	(10,462,015)

11. ANALYSIS OF NET DEBT

	At 31 March 2006 £	Cash flow £	Non cash movements £	Exchange Movement £	At 31 March 2007 £
Cash at bank	634,250	1,314,336	-	-	1,948,586
Bank loan	(121,028)	107,271	-	13,757	-
Convertible loan note	(160,000)	-	-	-	(160,000)
Finance leases	(285,134)	102,226	153,803	29,105	-
Loan notes	(1,085,612)	-	1,085,612	-	-
Other loans	(9,444,491)	(7,860,509)	-	-	(17,305,000)
	(10,462,015)	(6,336,676)	1,239,415	42,862	(15,516,414)

In June 2006, 13,751,375 new 1p ordinary shares were issued at 4 pence per share to settle the sum of £1,085,612 payable to J. Servidio and S. Domenico under the Betelgeuse Stock Purchase Agreement.

12. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(4,540,682)	(3,847,497)
Impairment of intellectual property rights	-	2,457,021
Impairment of intangible assets	1,840,615	-
Depreciation	22,967	185,301
Amortisation of goodwill on acquisition	18,779	677,334
Decrease/(Increase) in debtors	(911,359)	1,314,051
(Decrease)/Increase in creditors	1,250,271	(2,919,925)
Exchange adjustment	57,127	(102,814)
Net cash outflow from operating activities	(2,262,282)	(2,236,529)

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group	2007 £	2006 restated £
Loss for the financial year	(2,668,311)	(6,229,609)
Issue of shares	870,836	4,867,262
Premium on issue of shares for acquisition	2,968,094	12,624,510
Translation differences	30,997	(69,746)
Minority interest	21,379	-
Finalisation of deferred consideration	-	(476,000)
Shares to be issued	(83,920)	304,468
Net addition to shareholders' funds	1,139,075	11,020,885
Opening shareholders' funds	11,136,691	115,806
Closing shareholders' funds	12,275,766	11,136,691

14. POST BALANCE SHEET EVENTS

On 4 April 2007, the Company completed a capital reorganisation with each of the existing issued and unissued ordinary shares of 1p each being subdivided into one new ordinary share of 0.1p and one deferred share of 0.9p.

Furthermore the Company raised approximately £10 million, net of expenses, by way of a placing of 801,236,844 new Ordinary Shares with institutional and other investors and an open offer of 1,298,763,156 new Ordinary Shares. The new issue Ordinary Shares rank pari passu with the old subdivided ordinary shares of 1p each.

On 10 April 2007, the Company took a £4 million loan facility (of which £3.5 million has been drawn down) from NASCIT and Oryx International Growth Fund Limited. The funds provided under the Facility were used to repay a proportion of the facility that the Company had in place with Investec so as to reduce the outstanding borrowings to Investec to below £5 million. Interest is charged at a fixed rate of 13.25 per cent. per annum and the loan is repayable on or by 10 April 2009.

On 27 April 2007, the Company completed the sale of NPG Inc, the Company's US-based on-line portal for sourcing stock footage from multiple libraries. The consideration payable to Catalyst was US$325,000.

On 31 May 2007, Sir David Frost OBE stepped down from the Board as a Non Executive Director.

On 1 June 2007, the Company announced the appointment to the Board of Mark Hawtin, Melvin Lawson and Christopher Mills as Non Executive Directors with immediate effect. Mark Hawtin was a partner of Marshall Wace LLP until June 2007. Melvin Lawson is managing director of A Beckman plc, a company formerly listed on the London Stock Exchange and is a non-executive director of Telecom Plus plc. Christopher Mills is chief investment officer of J O Hambro Capital Management Limited.

On 7th August 2007, the Company settled a claim made after the financial year end by Champ Car World Series LLP ("Champ Car") on 14 May 2007 against the Company under a letter of agreement dated 15 December 2004 between Betelgeuse Productions Inc, the Company and Champ Car for US$400,000 which was provided for in the current year.

On 24th August 2007, the Company took a £4.825 million loan facility (of which £3.91 million has been drawn down) provided by NatWest. The funds provided under the facility were used to repay in full the existing debt that the Company has in place with Investec and an early redemption fee of £0.93m for doing so. As a consequence, under the terms of the facility with Investec, Investec is no longer entitled to exercise its warrant in respect of the Company's wholly owned subsidiary, CMHL. Interest is charged on the facility at a fixed margin of 2.75% per annum above NatWest's base rate, and is rolled up into the loan and repayable on the final repayment date. An arrangement fee was payable in connection with the Facility. The Facility is repayable on or by 31 December 2010 and is secured against the assets of CMHL and Alternateport Limited, a wholly owned subsidiary of CMHL. The existing £4 million debt (of which £3.5 million has been drawn down) provided by NASCIT and Oryx International Growth Fund Limited has now been amalgamated into NASCIT only and they have taken a second security position to NatWest.

15. ANNUAL REPORT

The Annual Report for the year ended 31 March 2007 will be posted to shareholders shortly and will also be available from the Company's website www.cmg-plc.com. The Annual General Meeting of the Company will be held at the offices of Lewis Silkin, 5 Chancery Lane, Clifford's Inn, London EC4A 1BL on Thursday 25th October 2007 at 11am.